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AGENDA ITEM 4b

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. **SUBJECT:** Medicare Eligible Members in CalPERS Basic Health Plans
- II. **PROGRAM:** Health Benefits
- III. **RECOMMENDATION:** Information Only
- IV. **ISSUE:**

The California Public Employees' Retirement System (CalPERS) has 5,499 members age 65 or older who are enrolled in a CalPERS basic health plan. The cost for these members is estimated at \$30 million annually. Kaiser Permanente (Kaiser) members account for 37 percent (2,022) of the 5,499 and 57 percent (\$17 million) of the \$30 million. Kaiser, as a Medicare Advantage organization, has accessibility to Medicare eligibility data and can provide us with more detailed breakdowns of the costs of the various populations. No detailed breakdown of the remaining \$13 million is available from the other health plans. This amount is the difference between the actual costs of claims compared to the amount of the premiums paid for this group of members.

V. **BACKGROUND:**

CalPERS administers the health program under the authority of the Public Employees' Medical and Hospital Care Act (PEMHCA). The CalPERS health program serves over 1.2 million employees, retirees and family members of the State of California, California State University (CSU), and public agencies and schools. Currently, 13 percent (162,779) of these members are enrolled in a CalPERS Medicare health plan.

Enrollment in Medicare is **voluntary**. Medicare eligibility, enrollment and coordination rules are complex. The process for enrolling Medicare-eligible members into a CalPERS Medicare health plan is designed to ensure

compliance with federal and state laws and to maximize coordination with the Centers for Medicare and Medicaid Services (CMS). Since 2004, members enrolled in a CalPERS Medicare health plan has grown by 19 percent. In 2007, over 15,000 members enrolled in a CalPERS Medicare health plan.

General qualifications for Medicare Parts A and B coverage is as follows:

- Generally, individuals aged 65 are **entitled** to Part A coverage if they worked for at least 10 years in Medicare-covered employment. Generally, Part A coverage does not have a monthly premium. Part A is hospital insurance and helps pay for care in a hospital and skilled nursing facility, home health care and hospice care.
- Part B is available to individuals aged 65 or in some cases younger with certain disabilities. Individuals elect this medical coverage by **voluntarily** agreeing to purchase their benefits for a premium. Part B helps pay for outpatient health care expenses, including doctor fees. For 2008, the standard monthly premium is \$96.40. Some people may pay a higher premium based on their income.

Enrollment in a CalPERS Medicare health plan requires members to be eligible and enrolled in **both Medicare Parts A and B**. CalPERS' enrollment process for enrolling Medicare-eligible members into a CalPERS Medicare health plan encourages Medicare enrollment through a series of progressive letters to the member beginning four months prior to their 65th birthday. These letters require members to certify their Medicare enrollment status in order to continue their CalPERS health coverage. Notwithstanding these efforts, not all CalPERS member are eligible for Medicare Parts A and B and not all members are required to be enrolled in a CalPERS Medicare health plan.

STATUTES and REGULATIONS

There are several statutes and regulations governing the enrollment of members into a CalPERS Medicare health plan. As a starting point, Government Code (GC) 22844 generally provides that members who are eligible to enroll in Medicare Parts A and B may not be enrolled in a basic health plan. The CalPERS Board of Administration (Board) further interpreted and implemented the provisions of GC section 22844 through the adoption of California Code of Regulations (CCR) 599.517. Among other things, this regulation generally provides that annuitants first eligible for Medicare Parts A and B on or after January 1, 1998 may not be enrolled in a basic health plan. In addition, annuitants of the CSU system first eligible for Medicare Parts A and B on or after January 1, 2001 may not be enrolled in a basic health plan. Annuitants not eligible for Medicare Parts A or B and those eligible prior to the specified effective dates are therefore not required to be enrolled in a Medicare health plan. A

synopsis of the Board's previous actions regarding Medicare is set forth in Attachment A.

KAISER SURCHARGE

Kaiser is a Medicare Advantage organization, which provides Medicare services through its Kaiser Permanente Senior Advantage (KPSA) plan.

A Medicare Advantage plan is a CMS-approved network of doctors, hospitals, and other health care providers that provide care in exchange for a set monthly payment from CMS. This is in contrast to the more "traditional" Medicare supplemental plans which act to supplement specified costs the original Medicare program does not cover.

Members **voluntarily** elect enrollment in the KPSA plan by completing and signing a KPSA form authorizing full assignment of their Medicare benefits to Kaiser. Kaiser will then provide the member Medicare services, including Part D prescription drug coverage. The KPSA assignment process is separate from the CalPERS health enrollment process and is not automatically tied to the member's CalPERS Medicare health plan enrollment.

Kaiser charges CalPERS a premium surcharge for CalPERS members eligible for Medicare but who are enrolled in a CalPERS basic health plan. This surcharge is based upon the Medicare reimbursement Kaiser would have received for each Medicare-eligible member and the difference in the premium Kaiser receives from CalPERS.

As of February 2008, there are 2,022 retirees aged 65 or older who are enrolled in a Kaiser basic health plan. Below is a breakdown by group:

- No Part A – This group contains 1,477 members. 54 percent are in the 70-79 year old age range. 28 percent are in the 80-89 year old age range. The surcharge dollar amount for this group is over \$13 million dollars.
- Members subject to CCR 599.517 (CSU annuitants) – This group contains 124 members. 65 percent are in the 70-79 year old age range. 33 percent are in the 80-89 year old age range. The surcharge dollar amount for this group is a little over \$1 million dollars.
- Members subject to CCR 599.517 (non-CSU annuitants) – This group contains 70 members. 27 percent are in the 80-89 year old age range. 53 percent are in the 90 plus age range. The surcharge dollar amount for this group is \$265,000.
- Age-In 65 – This group contains 242 members. This is the initial group members are placed in while they complete the KPSA form. Since this is

a transitional stage the number of members in this group fluctuates. The majority of age-ins have been in this group for approximately 1-3 months. 62 percent are in the 65-69 year old age range. 31 percent are in the 70-79 year old age range. The surcharge dollar amount for this group is a little over \$1 million dollars.

- Out-of-Service Area - This group contains 77 members. This group contains members who reside outside the CMS approved service area. 34 percent are in the 65-69 year old age range. 36 percent of the members are in the 70-79 year old age range. The surcharge dollar amount for this group is \$705,000.
- Pending resolution – This group contains 32 members. This group contains members with a variety of issues (such as, KPSA form filled out incorrectly, etc) that are pending resolution. 56 percent are in the 70-79 age range. 19 percent are in the 80-89 year old age range. The surcharge dollar amount for this group is \$293,000.

Attachment B provides a breakdown of the surcharged dollar amounts for Kaiser members by age and group.

On a monthly basis, CalPERS staff reconciles a Kaiser tracking file to identify all members potentially eligible for KPSA enrollment, but who are not so enrolled. The file is worked to identify those eligible for enrollment and encourage either the prompt transition of the member into KPSA to avoid CalPERS' incurrence of the premium surcharge from Kaiser, or place the member in the appropriate category. Unless a member is exempted from enrollment in a Medicare health plan the failure to enroll in the KPSA plan results in cancellation. In 2007, 387 members were cancelled due to failure to enroll in KPSA.

The CalPERS monthly work activity with the tracking file follows Kaiser's marketing and communication efforts, which includes anywhere from five to seven verbal and written member contacts, and are performed in compliance with applicable guidelines for Medicare Advantage health plans. If Kaiser's efforts are successful in obtaining member compliance, CalPERS does not take any additional action.

IMPACTS TO OTHER HEALTH PLANS

Similar to Kaiser, other health plans incur a loss of reimbursement from Medicare when members over the age of 65 remain in a CalPERS basic health plan. It is estimated CalPERS is charged \$13 million annually for these members. For example, if a Medicare eligible member remains in the PERS Choice basic plan, the plan pays 80 percent of the medical costs. However, if the member is enrolled in the supplement to Medicare plan, PERS Choice pays only 20 percent of the medical costs and Medicare pays 80 percent.

V. STRATEGIC PLAN:

This item supports the CalPERS Strategic Plan, Goal X: Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.

VI. RESULTS/COSTS:

This is an information item only.

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Attachments